

AMENDED IN ASSEMBLY JUNE 25, 2014

AMENDED IN ASSEMBLY JUNE 12, 2014

Senate Joint Resolution

No. 19

Introduced by Senator Correa
(Coauthor: Assembly Member Dababneh)

March 10, 2014

Senate Joint Resolution No. 19—Relative to high-cost loan limits.

LEGISLATIVE COUNSEL’S DIGEST

SJR 19, as amended, Correa. High-cost loan limits.

This measure would express the Legislature’s opposition to reduction of the current national and high-cost conforming loan limits for Fannie Mae and Freddie Mac by the Federal Housing Finance Agency (FHFA) and would urge the FHFA to continue to resist implementation of any such reductions. This measure also would urge the President and Congress of the United States to join California in opposing any reduction of the national and high-cost conforming loan limits.

Fiscal committee: no.

- 1 WHEREAS, Since 1980, Congress has provided in statute for
2 “high-cost” conforming loan limits so residents in states where
3 the cost of housing is higher than the national average may still
4 gain access to safe and affordable mortgages; and
5 WHEREAS, In 2006, the California Legislature passed a joint
6 resolution that memorialized the President and Congress of the
7 United States to recognize California as a high-cost area for
8 purposes of purchasing a home and to be considered the same
9 status as other high-cost areas; and

1 WHEREAS, In 2008, the California Legislature passed a joint
2 resolution that memorialized its opposition to any reduction in
3 high-cost loan limits in California; and

4 WHEREAS, In 2008, the Economic Stimulus Act of 2008
5 created a temporary increase in mortgage loan limits and allowed
6 for areas in California to be recognized as high cost; and

7 WHEREAS, In July 2008, Congress passed the Housing and
8 Economic Recovery Act of 2008, which established the current
9 law and formula for determining loan limits, set the high-cost loan
10 limit formula, made permanent in statute language that allows for
11 areas in California to be recognized as high cost, and contained
12 language prohibiting the reduction of conforming loan limits; and

13 WHEREAS, In September 2008, Fannie Mae and Freddie Mac
14 were placed under conservatorship of the Federal Housing Finance
15 Agency (FHFA); and

16 WHEREAS, In January 2012, following the expiration of the
17 *temporary high-cost loan limit increase provided in the Economic*
18 *Stimulus Act of 2008*, Fannie Mae and Freddie Mac high-cost loan
19 limits were reduced from \$729,750 back to the 2006 value of
20 \$625,500; and

21 WHEREAS, In December 2013, the FHFA issued a request for
22 comments on a proposal to lower the conforming loan limits for
23 Fannie Mae and Freddie Mac by an additional \$25,000 in select
24 high-cost areas including California; and

25 WHEREAS, In May 2014, the Director of the FHFA announced
26 that the FHFA “will not use its authority as conservator to reduce
27 the loan limits”; and

28 ~~WHEREAS, The FHFA is not bound to follow a policy on loan~~
29 ~~limits that protects California homebuyers in the future; and~~

30 WHEREAS, California has over 25 million residents that would
31 be adversely affected by the proposed regular and high-cost loan
32 limit reductions; and

33 WHEREAS, Eleven counties in California have a median home
34 price above the proposed reduced cap on high-cost loan limits;
35 and

36 WHEREAS, FHFA data indicates that over 36,000 loans
37 originated in California could be adversely affected by the proposed
38 loan limit reduction; and

39 WHEREAS, California housing markets are only beginning to
40 recover from a sustained negative market, and continue to lag

1 behind the pace of recovery being experienced by the rest of the
2 nation; and

3 WHEREAS, Current high-cost loan limits allow California home
4 buyers the same access to safe and affordable mortgage capital as
5 home buyers in states with lower home prices; and

6 WHEREAS, The adverse effect of lowering the loan limits
7 would have a negative impact on California home buyers that
8 would ripple through the housing market and the larger economy;
9 now, therefore, be it

10 *Resolved by the Senate and the Assembly of the State of*
11 *California, jointly*, That the Legislature opposes any reduction of
12 the current national and high-cost conforming loan limits for Fannie
13 Mae and Freddie Mac by the FHFA, and urges the FHFA to
14 continue to resist implementation of any such reductions; and be
15 it further

16 *Resolved*, That the Legislature urges the President and Congress
17 of the United States to join California in opposing any reduction
18 of the national and high-cost conforming loan limits; and be it
19 further

20 *Resolved*, That the Secretary of the Senate transmit copies of
21 this resolution to the President and Vice President of the United
22 States, to the Speaker of the House of Representatives, to the
23 Majority Leader of the Senate, to each Senator and Representative
24 from California in the Congress of the United States, to the
25 Secretary of the Treasury, and to the Director of the Federal
26 Housing Finance Agency.